

MEMORANDUM



TO: VICTOR CARDENAS, INTERIM CITY MANAGER
FROM: TIA GRONLUND-FOX, HUMAN RESOURCES DIRECTOR
SUBJECT: MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (MERS)
DATE: JANUARY 18, 2023

Mayor and Council,

We've received unofficial information from MERS regarding their plans to allow communities who have previously closed their DB plans to offer them yet again.
- Victor

We have received information (albeit not officially) that the City's retirement provider, the Municipal Employees' Retirement System (MERS), is changing its long-standing policy regarding funding required to make changes to closed Defined Benefit plans.

The City closed all of its Defined Benefit retirement plans as far back as 2006, through 2012. Consequently, any employee hired after that time received a Defined Contribution (401a) retirement plan as part of their benefits package. The only open plan that remains is for the City's Police Command Officers.

The decision was made to close these plans over time and eliminate legacy costs attributed to unfunded liability. The only way to open a plan back up was for a community to bring their plans to a funding level of 100%, which in most cases, certainly ours, is extremely costly.

MERS has advised us that they are changing their policy, at the request of one of their members, to reduce this funding level to 80% in order for a member community to change or open up a closed plan. For the City of Novi this equates to a payment of **\$17,297,469** to bring our funding to 80%. If a community reopens its DB plan, it must be less than was previously offered, i.e. if a 2.8% multiplier was offered a 2.7% or lower could be created.

I have been informed that at least one of the City's labor groups is aware of this change.

I will keep you posted as to any additional information I receive regarding this change in MERS' policy.